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COST-OF-LIVING PROVISIONS IN ONTARIO

COLLECTIVE BARGAINING AGREEMENTS

OCTOBER 1976

Number 20

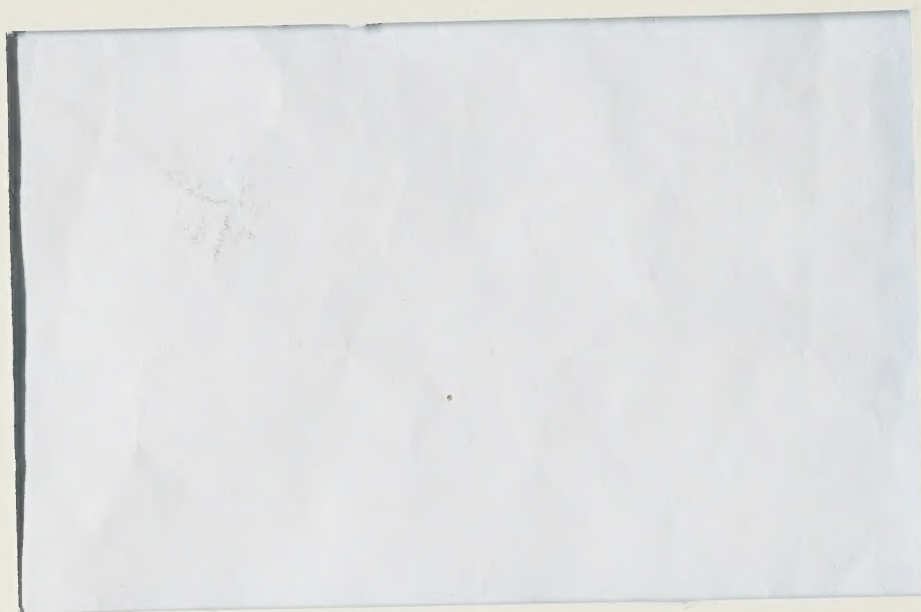


Ontario
Ministry of
Labour

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Toronto
Ontario





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Research Branch

Ontario Ministry of Labour

January 1977

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Minister

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Deputy Minister



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FOREWORD

This report is designed to give quick access to current information on major elements of cost-of-living provisions in Ontario collective agreements. It is the fourth in the Bargaining Information Series to cover this subject.

Detailed tables on the main provisions have been prepared to provide information that will be useful in bargaining situations. For quick reference, the tables are preceded by a summary of their contents.

The information presented was drawn from an analysis of all Ontario collective agreements covering bargaining units of 200 or more employees working in industries other than construction. As of October 1976, when this analysis was prepared, there were 890 such agreements covering 764,886 employees on file with the Collective Agreements Library of the Ministry of Labour.

For further information, please call Beth Kendall at 965-6886.

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COST-OF-LIVING PROVISIONS

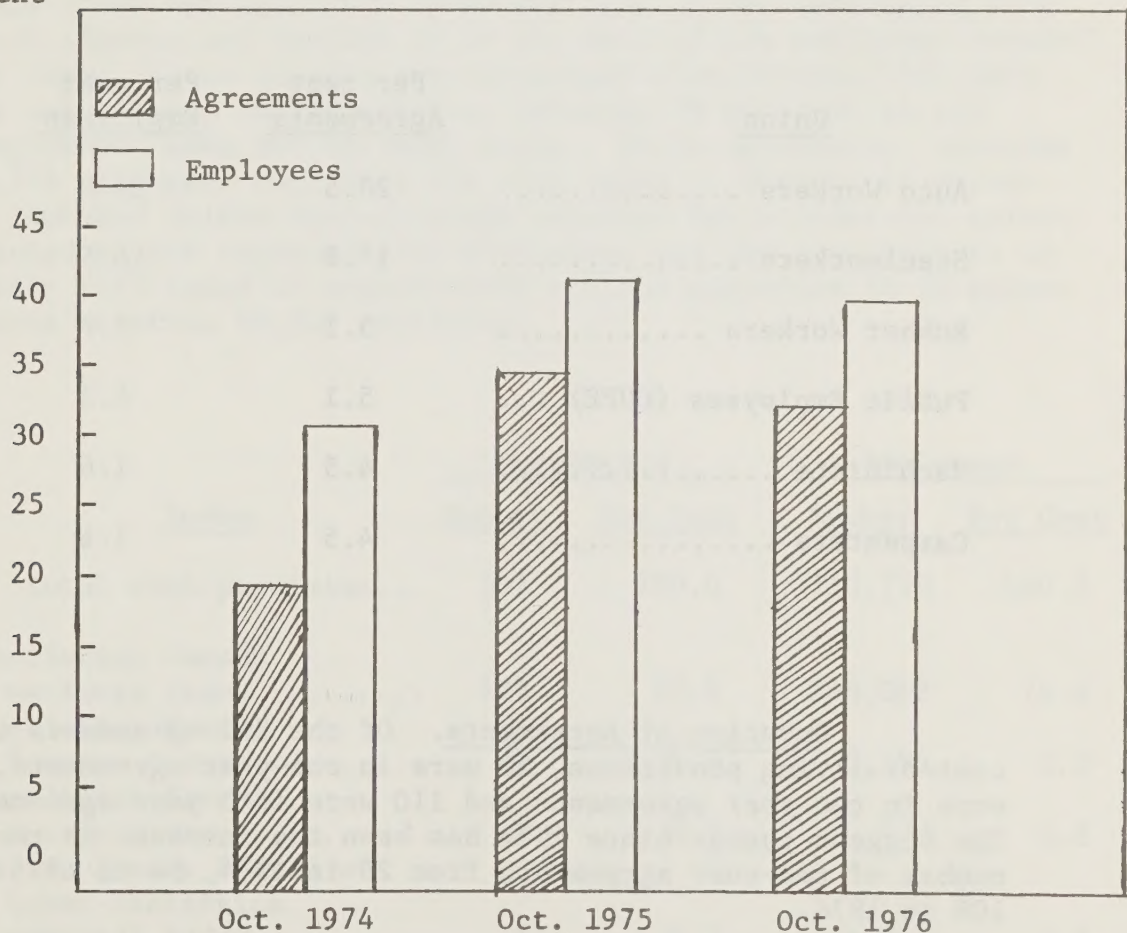
PREVALENCE OF COST-OF-LIVING PROVISIONS

Cost-of-living clauses providing for automatic adjustment of wage rates with changes in the Consumer Price Index were contained in 292 (33 per cent) of the 890 agreements studied in October 1976. These clauses covered 310,750 employees or 41 per cent of the total in the study.

In the previous report on cost-of-living clauses in October 1975, of the 855 agreements studied, 35 per cent had provisions for cost-of-living allowances covering 42 per cent of the employees. In the first report in October 1974, 20

Per Cent of Agreements and Employees under Cost-of-Living Clauses, October 1974 to October 1976

Per cent



per cent of the 823 agreements examined had such a provision. During the past year, 30 agreements covering 24,990 employees, introduced a new cost-of-living clause, but 32 others covering 28,574 employees discontinued this clause.

Industry Patterns. Cost-of-living clauses continued to be more common in manufacturing industries: 44 per cent of the 472 manufacturing agreements had cost-of-living provisions covering 59 per cent of the employees, compared with 20 per cent of the 418 non-manufacturing, covering 29 per cent of the employees. The clauses were most prevalent in the metal fabricating, machinery, transportation equipment, electrical products and transportation industries (see Table 1).

Unions Involved. More than 50 unions negotiated the 292 agreements with cost-of-living provisions as shown in Table 2. However, the following six unions together accounted for 58 per cent of the cost-of-living provisions covering 62 per cent of the employees.

<u>Union</u>	<u>Per cent Agreements</u>	<u>Per cent Employees</u>
Auto Workers	20.5	31.0
Steelworkers	17.8	18.5
Rubber Workers	5.1	2.9
Public Employees (CUPE) ...	5.1	6.3
Machinists	4.5	1.6
Carpenters	4.5	1.8

Duration of Agreements. Of the 292 agreements with cost-of-living provisions, 20 were in one-year agreements, 108 were in two-year agreements and 110 were in 3 year agreements. The biggest change since 1974 has been the increase in the number of two-year agreements from 26 in 1974, 54 in 1975 to 108 in 1976.

Per cent of Agreements by
Duration of Agreement

	October 1976	October 1975	October 1974
Under 2 years	14	32	2
2 years	37	17	16
Over 2 years	49	51	82

CHARACTERISTICS OF COST-OF-LIVING PROVISIONS

The principal elements of cost-of-living clauses, which are discussed in the following pages, are the index used to measure price change, the frequency with which the index is reviewed, and the formula for computing the amount of wage adjustment.

Price Index Used. As the following tabulation shows, Statistics Canada's national Consumer Price Index was the measure of living costs most commonly used in cost-of-living clauses. This index was specified in 93 per cent of the agreements with such clauses and applied to 79 per cent of the employees covered by them. These figures were unchanged from October 1975 when 94 per cent of the agreements, covering 79 per cent of the employees, used the national index. Seven agreements, covering 7,719 employees specified the city index of Toronto or Ottawa. A combined United States-Canada Consumer Price Index was established by the automobile manufacturers and the Auto Workers in their 1973 round of negotiations and was specified in 10 agreements covering 56,518 employees.

<u>Index</u>	<u>Agreements</u>		<u>Employees</u>	
	<u>Number</u>	<u>Per Cent</u>	<u>Number</u>	<u>Per Cent</u>
Total with provision...	292	100.0	310,750	100.0
Statistics Canada national index	273	93.5	245,002	78.8
Statistics Canada Toronto index	5	1.7	7,194	2.3
Statistics Canada Ottawa index	2	0.7	525	0.2
United States Bureau of Labor Statistics national index	2	0.7	1,511	0.5
Combined Statistics Canada- United States Bureau of Labor Statistics Index .	10	3.4	56,518	18.1

Most of the cost-of-living clauses (64 per cent) were tied to Statistics Canada's Consumer Price Index based on 1961=100. Forty-seven agreements (16 per cent) did not specify the base year. Forty-seven of the more recently negotiated cost-of-living clauses called for the 1971=100 base which was introduced in 1975. In October 1975 only 11 of the agreements used the new base.

Frequency of Review. As the following tabulation shows, review of the index every three months was by far the most common practice in 79 per cent of the agreements covering 75 per cent of the employees. These figures are similar to those in the October 1975 study when quarterly reviews were required in 77 per cent of the agreements covering 75 per cent of the employees.

<u>Frequency of Review</u>	<u>Agreements</u>		<u>Employees</u>	
	<u>Number</u>	<u>Per Cent</u>	<u>Number</u>	<u>Per Cent</u>
Total with provision	292	100.0	310,750	100.0
Monthly	2	0.7	685	0.2
Quarterly	232	79.5	232,428	74.8
Semi-annual	18	6.1	38,657	9.2
Annual	7	2.4	6,923	2.2
Once during agreement term .	24	8.2	29,152	9.4
Other	9	3.0	12,905	4.1

Amount of Adjustment. The most usual cost-of-living adjustment formula, found in 86 per cent of the agreements, called for cents-per-hour increases for each specified point change in the index used. As Table 3 shows, under this type of formula the amount of adjustment ranged from 1 cent per hour for each 0.3 point change to 1 cent for each 1.0 point change.

The most common forms of adjustment in terms of numbers of agreements involved were 1 cent for each 0.35 point change, 1 cent per 0.4, 1 cent per 0.45 and 1 cent per 0.5. The larger proportion of employees (28 per cent) were covered by a formula that provided 1 cent per hour for each 0.3 point change in the index; about three-quarters of this group were in the transportation equipment industry. These five formulas together were found in 76 per cent of the agreements covering 79 per cent of the employees, down slightly from the 1975 study. The proportions of agreements using the 1¢ per 0.3 and 1¢ per 0.35 have increased constantly since October 1974; 1¢ per 0.45 have decreased.

Formula	October 1976		October 1975		October 1974	
	Agrts	Per cent	Agrts	Per cent	Agrts	Per cent
Total	222	76	229	75	118	71
1¢ per 0.3 points	29	10	21	7	9	5
1¢ per 0.35 points	41	14	30	10	10	6
1¢ per 0.4 points	45	15	40	13	35	21
1¢ per 0.45 points	38	13	52	17	29	18
1¢ per 0.5 points	69	24	86	28	35	21

Formulas that specified a percentage adjustment in the same amount as the percentage change in the index were less common than the cents-per-hour formulas. They occurred in 29 agreements covering 44,818 employees; fourteen of these were railway agreements.

Triggers. Sixty-five agreements (22 per cent), covering 23 per cent of the employees, stipulated that the cost-of-living adjustment did not apply until a specified change in the index occurred to trigger the operation of the formula. The industries in which triggers appeared most often were rubber, food and beverages, utilities, retail trade and local administration. These figures are basically unchanged from 1975.

Over half of the formulas were triggered once over the term of the agreement. These triggers, as shown below, were expressed as point or percentage increases in the index or required that the index reach a specific level.

Form and Amount of Trigger	Timing of Trigger		
	Once	Annually	Other ¹
Total with triggers	40	18	7
Point increase:			
5 points or less	1	-	2
8 points	4	-	-
10 points or more	2	-	-
Per cent increase:			
3½ per cent or less	-	12	2
5 per cent	2	-	1
6 per cent	7	-	-
7 per cent	2	-	-
8 per cent	4	-	-
9 per cent	2	-	-
10 per cent	4	-	-
18 per cent	1	-	-
Index must reach specific level ..	11	-	1
Other	-	6	1

¹Includes semi-annually, quarterly and at irregular intervals.

Guaranteed Adjustments. Fifteen of the cost-of-living clauses, covering 7 per cent of the employees, guaranteed a minimum increase regardless of the movement of the index. These were mostly in the electrical products industries. In October 1975, 20 agreements, covering 8 per cent of the employees had guarantees.

As shown below, the guarantees varied widely and were granted either on an annual basis or once during the term of the agreement.

<u>Timing and Amount of Guarantee</u>	<u>Agreements</u>
Total with guarantees	15
Guaranteed per year:	
9 cents per hour	1
15 cents per hour	3
20 cents per hour	1
Guaranteed per contract term:	
10.25 cents per hour	1
25 cents per hour	1
8½ per cent	3
Other	5

Maximum Adjustments. Eighty-two of the cost-of-living provisions (28 per cent), covering 21 per cent of the employees, set maximum limits, or caps, on the amount of the adjustments. These caps were found mainly in textiles, food, retail trade, metal fabricating, machinery, transportation equipment, electrical products, and non-metallic mineral products. In October 1975, 35 per cent of the cost-of-living clauses had caps and in October 1974, 40 per cent limited the amount of the allowances. On the basis of these three years, it would seem that the use of caps is declining.

As shown in the following tabulation, the maximum adjustments varied greatly and were imposed either on each adjustment date, annually or once during the term of the agreement.

<u>Timing and Amount of Maximum</u>	<u>Agreements</u>
Total with maximums	82
Maximum per adjustment date:	
6 cents per hour	2
8 cents per hour	1
10 cents per hour	3
4 per cent	1
Maximum per year:	
5 cents or fewer	2
6 to 10 cents	5
11 to 15 cents	7
over 15 cents	6
varies each year	7
Maximum per contract term:	
10 cents or fewer	6
11 to 15 cents	11
16 to 20 cents	9
over 20 cents	14
percentage	2
Other	6

Downward Adjustments. Over sixty per cent of the COLA clauses contained provisions relating to reduction in the amount of the allowance paid in response to downward movements in the Index. One hundred and eighty-one (62 per cent) provided for a downward adjustment in the allowance; however, 62 of these did not spell out a floor below which the allowance could not be decreased. The remainder either specified a given index point below which no downward cost-of-living adjustments would be made, or emphasized that basic wage rates would not be subject to reduction due to any decline in the index.

APPLICATION OF COST-OF-LIVING ALLOWANCES TO SUPPLEMENTARY PAYMENTS

Although virtually all the agreements with cost-of-living provisions defined the allowance as a specific payment to be added to straight-time earnings, 121 of them (41 per cent) included the allowance in the calculation of overtime and fringe benefits as shown in the next tabulation. These agreements were mostly in the transportation equipment, electrical products, mining, forestry, food and retail trade industries.

<u>Type of Supplementary Payment</u>	<u>Agreements</u>
Overtime premium	42
Shift premium	11
Call-in pay	42
Reporting pay	28
Holiday pay	95
Vacation pay	87
Jury duty pay	29
Bereavement leave	35
Paid leave of absence	5
All payments based on regular rates	2
Other ¹	14

¹ Included in the "Other" category are sick leave payments, supplemental unemployment benefits, Saturday and Sunday premiums, injury allowances, severance payments.

Note: Provisions are non-additive. Cost-of-living allowances may be included in more than one supplementary payment.

DIVERSION FROM COST-OF-LIVING ADJUSTMENTS

Twenty-four agreements, covering 22 per cent of the employees, included provisions for withholding a portion of the potential cost-of-living increases to pay for all or part of the cost of insured benefits, in particular, dental plans. Such provisions occurred mostly in transportation equipment industry.

Table 1

Cost-of-Living Provisions in Ontario Collective Agreements¹, Covering
200 or more Employees, by Industry, October 1976

Industry	Total Studied		Number with Provision		Per cent with Provision	
	Agrts	Empls	Agrts	Empls	Agrts	Empls
All Industries	890	764,886	292	310,750	32.8	40.6
Manufacturing	472	304,725	207	179,158	43.9	58.8
Food, Beverages	46	21,531	11	4,896	23.9	22.7
Tobacco	3	1,423	2	1,137	66.7	79.9
Rubber, Plastics	17	9,786	12	7,981	70.6	81.6
Leather	9	3,058	3	886	33.3	30.0
Textiles	27	11,465	10	4,067	37.0	35.5
Knitting Mills	3	795	-	-	-	-
Clothing	9	8,504	-	-	-	-
Wood	14	3,881	4	1,208	28.6	31.1
Furniture, Fixtures	13	4,353	3	1,239	23.1	28.5
Paper	40	17,355	6	2,214	15.0	12.8
Printing, Publishing	11	6,462	-	-	-	-
Primary Metals	29	31,878	16	25,326	55.2	79.4
Fabricated Metals	57	20,401	33	12,342	57.9	60.5
Machinery	25	15,771	16	13,134	64.0	83.3
Transportation Equip.	57	83,429	39	76,231	68.4	91.4
Electrical Products	57	39,738	33	18,711	57.9	47.1
Non-Metallic Minerals	19	8,950	10	5,663	52.6	63.3
Petroleum, Oil	3	1,347	-	-	-	-
Chemicals	15	7,014	2	634	13.3	9.0
Miscellaneous Mfg.	18	7,584	7	3,489	38.9	46.0
Non-Manufacturing ¹	418	460,161	85	131,592	20.3	28.6
Forestry	12	6,177	10	4,390	83.3	71.1
Mining, Quarrying	19	25,334	14	22,967	73.7	90.7
Transportation	36	50,927	21	41,279	58.3	81.1
Storage	2	1,925	1	1,700	50.0	88.3
Communications	13	39,356	1	4,741	7.7	12.0
Electric, Gas, Water	14	19,877	5	16,117	35.7	81.1
Wholesale Trade	6	1,706	3	856	50.0	50.2
Retail Trade	18	35,924	11	26,282	61.1	73.2
Finance, Insurance, Real Estate	1	501	-	-	-	-
Education	55	27,194	7	1,998	12.7	7.3
Health, Welfare	101	38,337	-	-	-	-
Recreational Services	6	3,034	-	-	-	-
Management Services	9	5,199	1	290	11.1	5.6
Personal Services	16	7,264	2	1,398	12.5	19.2
Miscellaneous Services	1	321	-	-	-	-
Federal Admin.	51	94,339	2	6,500	3.9	6.9
Provincial Admin.	6	68,677	-	-	-	-
Local Admin.	52	34,069	7	3,074	13.5	9.0

1. Excludes construction industry.

TABLE 2

Cost-of-Living Provisions in Ontario Collective Agreements, Covering
200 or more Employees, by Union, October 1976

Union	Agreements		Employees	
	Number	Per cent	Number	Per Cent
Total with provision	292	100.0	310,750	100.0
Airline Employees	1	0.3	935	0.3
Auto Workers	60	20.5	96,271	31.0
Boilermakers	1	0.3	360	0.1
Brewery Workers	2	0.7	490	0.2
Cdn. Operating Engineers	1	0.3	473	0.2
Cdn. Retail Employees	2	0.7	6,685	2.1
Carpenters	13	4.5	5,654	1.8
Chemical Workers	5	1.7	2,595	0.8
Christian Labour Assn.	1	0.3	329	0.1
Communication Workers	4	1.4	6,249	2.0
Distillery Workers	2	0.7	910	0.3
Electrical Workers (U.E.)	6	2.1	2,806	0.9
Electrical Workers (I.B.E.W.)	3	1.0	1,006	0.3
Electrical Workers (I.U.E.)	4	1.4	2,406	0.8
Foodworkers	6	2.1	8,021	2.6
Glass & Ceramic Workers	6	2.1	3,813	1.2
Hotel Employees	1	0.3	800	0.3
Letter Carriers	1	0.3	3,000	1.0
Locomotive Engineers	1	0.3	530	0.2
Machinists	13	4.5	4,950	1.6
Maintenance of Way	1	0.3	4,343	1.4
Moulders	6	2.1	1,770	0.6
Postal Workers	1	0.3	3,500	1.1
Public Employees (CUPE)	15	5.1	19,646	6.3
Railroad Signalmen	1	0.3	253	0.1
Railway Clerks	3	1.0	4,793	1.5
Railway, Transport & General	2	0.7	4,839	1.6
Retail Clerks	4	1.4	2,028	0.7
Retail, Wholesale	3	1.0	11,649	3.7
Rubber Workers	15	5.1	8,867	2.9
Service Employees	2	0.7	1,058	0.3
Sheet Metal Workers	1	0.3	215	0.1
Shoe Workers	2	0.7	506	0.2
Steelworkers	52	17.8	57,350	18.5
Structural Iron	1	0.3	290	0.1
Teamsters	6	2.1	9,999	3.2
Telegraph Workers	2	0.7	1,100	0.3
Textile Workers Union	4	1.4	1,335	0.4
Tobacco Workers	2	0.7	1,137	0.4
Transit Union	2	0.7	6,510	2.1
United Textile Workers	4	1.4	1,512	0.5
United Transportation Union	5	1.7	6,603	2.1
Woodworkers	3	1.0	1,008	0.3
CLC - directly chartered	3	1.0	1,961	0.5
CNTU - directly chartered	1	0.3	410	0.1
Nat'l. Council of Cdn. Labour	2	0.7	513	0.2
Independent Local Unions	11	3.8	7,448	2.4
Multi-union	1	0.3	4,155	1.3

TABLE 3

Formulas in Cost-of-Living Provisions in Ontario Collective Agreements
Covering 200 or more Employees, by Industry, October 1976

Formula	With Provision		Industries Affected
	Agrts	Empls	
Total	292	310,750	
1¢ per hour for each 0.3 point	29	87,650	Furniture; primary metal; metal fabricating; transportation equipment; miscellaneous manufacturing; mining; wholesale trade.
1¢ per hour for each 0.325 point	2	1,284	Metal fabricating.
1¢ per hour for each 0.34 point	1	575	Electrical products.
1¢ per hour for each 0.35 point	41	41,979	Food and beverage; paper; primary metal; machinery; transportation; equipment; electrical products; non-metallic mineral products; miscellaneous manufacturing; forestry; mining.
1¢ per hour for each 0.36 point	1	581	Machinery.
1¢ per hour for each 0.375 point	2	1,653	Primary metal; electrical products.
1¢ per hour for each 0.4 point	45	37,232	Furniture; paper; primary metal; metal fabricating; machinery; transportation equipment; electrical products; non-metallic mineral products; chemical; miscellaneous manufacturing; mining; transportation; education; federal administration.
1¢ per hour for each 0.45 point	38	20,503	Food; rubber; textile; wood; primary metal; metal fabricating; machinery; transportation equipment; electrical products; miscellaneous manufacturing.
1¢ per hour for each 0.46 point	4	1,590	Rubber; primary metal; machinery; transportation.
1¢ per hour for each 0.5 point	69	57,402	Food; tobacco; textile; wood; primary metal; metal fabricating; machinery; transportation equipment; electrical products; non-metallic mineral products; miscellaneous manufacturing, transportation; utilities; trade; education; business and personal services; local administration.
1¢ per hour for each 0.6 point	10	2,954	Metal fabricating; transportation equipment; electrical products; miscellaneous manufacturing; wholesale trade.
1¢ per hour for each 0.7 point	2	519	Electrical products.
1¢ per hour for each 1.0 point	6	1,521	Leather; textile; electrical products; non-metallic mineral products.
1% of wages for each 1%	25	29,031	Food and beverages; metal fabricating; mining; transportation; education; local administration.
3% of wages for each 3%	4	15,787	Utilities.
Other	13	10,489	Furniture; leather; transportation equipment; chemical; storage; communications; retail trade; education.

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12	Paid Vacations and Paid Holidays in Ontario Collective Agreements, January 1976
13	Cost-of-Living Provisions in Ontario Collective Bargaining Agreements, October 1975
14	Life Insurance and Accidental Death and Dis- memberment Insurance Plans in Ontario Collec- tive Agreements
15	Paid Vacations and Paid Holiday in Ontario Collective Agreements, July 1976
16	O.H.I.P., Major Medical, Prescription and Dental Plans in Ontario Collective Agreements, April 1976
17	Overtime Compensation and Meal Allowances in Ontario Collective Agreements, August 1976
18	Sick Leave Plans & Weekly Sickness and Accident Indemnity Insurance Plans in Ontario Collective Agreements, March 1976
19	Selected Provisions in Ontario Collective Bargaining Agreements, September 1976 <ul style="list-style-type: none">. Reporting, Call-back and Stand-by Pay. Shift, Saturday and Sunday Premiums. Work Clothing, Safety Equipment and Tool Allowances

Special Issues

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Hourly Wage Rates for Selected Occupations under Ontario Agreements Covering Nursing Homes and Homes for the Aged, November 1975

